

Labour should not delay tackling the climate crisis

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In the midst of the confusion created by Boris Johnson, Nadine Dorries and others, it was easy to overlook the contribution to the climate crisis that Rachel Reeves made last week. She announced that Labour's plan to spend £28 billion a year on the environmental crisis was now delayed.

The commitment to spend this sum in every year of the next Labour government has been dropped. Labour will now build up to this sum in the first half of the next parliament Reeves told the BBC on Friday. Thereafter the spending (now much diminished in value since she first announced it because of the impact of inflation, but mysteriously unchanged, nonetheless) will be at £28 billion per annum.

I hate to say this, yet again, but this makes no sense. The climate crisis is real. It is definitely not going away. The one thing that we emphatically know about it is that it will get worse unless action is taken to tackle it. And yet, because the scale of government borrowing is apparently too high we cannot afford, according to Labour, to do anything about it. It is better, apparently, to balance the government's books than to save the planet.

Unsurprisingly, I did not agree. We would not delay war for the sake of balancing the books. To his credit, Johnson did not hold back on Covid for that reason. But we can hold back on the biggest existential crisis of all that we face for the sake of a supposed fiscal rule that says we will balance the books when, as I noted here last week, both GDP and the national debt are in any case overstated and as a consequence represent meaningless criteria as goals for anything.

So what should Reeves do? First, she should update the commitment made for inflation that has happened since she first issued her plan. At least another £4.5bn now needs to be added to the annual commitment for that reason. Inflation has not reduced the scale of the climate crisis.

Second, she should maintain the commitment, which is essential to many, and a reason to vote Labour.

Third, she should make clear that it may be hard to spend this sum in the first year in office, simply because it takes time to plan and start an investment programme. But what she should then make clear is that any initial underspend will be caught up with later by way of an overspend in later years.

Fourth, she should make clear that nothing will deflect Labour from this path: people want to know it is clear on the very few commitments it has so far made.

And fifth, Reeves should make clear that she believes that this programme is capable of delivery within the context of the UK economy, if necessary by ensuring that other activity is sacrificed to it. That could be achieved by paying people enough to want to work on it, or by taxing harmful activities more. It's not hard to do.

Finally, and as I have so often said now, Reeves needs to think more innovatively about the funding for this programme. If the UK government cannot find £28 billion a year for this programme when £70bn a year is saved in ISAs (mostly in cash, which creates no useful economic activity, plus secondhand shares that provide almost no capital to companies) and well over £100bn is saved in pensions (largely, again, in secondhand buildings, shares and debt) then there is something seriously wrong with the UK financial services sector. It is not plausible that so much money can be apparently used for speculation and £28 billion cannot be found to help save the planet (I say help, because that sum is anyway seriously inadequate). Instead of wanting pension money to go into companies, as Reeves says she does, most of whom have no serious problem with raising capital, Reeves should be looking at how to use these funds to save the planet, which really is not hard.

So, why is Labour delaying then? Most especially why is it delaying when doing so suggests that it still does not get the distinction between capital and revenue spending and now thinks both must be delayed because of Tory spending plans, when the reality is that delay is pointless except for the fact that a billion or two of interest charge might accrue as a result? I wish I could answer that, but I cannot: delaying this programme makes no economic sense at all. If it is agreed that climate change must be tackled (and I presume that is not disputed) then incurring a small interest cost is not the reason to defer action. Except to Labour, apparently. And that is worrying.